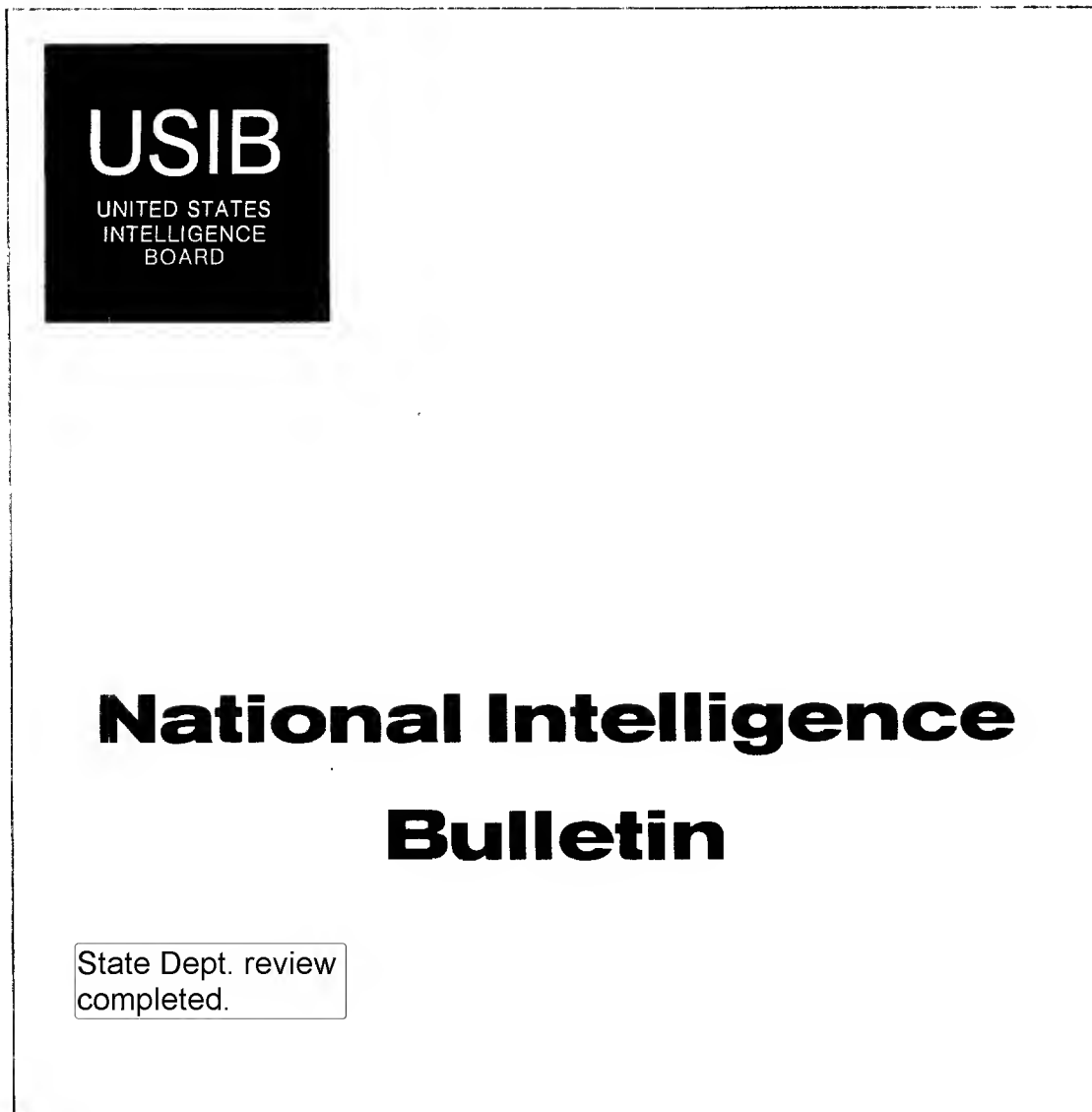


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State Dept. review  
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**National Intelligence Bulletin** September 18, 1974GREECE-NATO

Greece has taken steps to implement its withdrawal from NATO's integrated military structure. While these steps could be reversed, NATO has begun to prepare for negotiations on the Greek withdrawal.

NATO Secretary General Luns announced on Monday that the Greek delegation had told him that, effective immediately, Greek representatives will not attend meetings of the Defense Planning Committee, Defense Review Committee, Executive Working Group, and Nuclear Planning Group. Greece hopes to leave its representative in the Military Committee during the withdrawal period.

The Supreme Allied Commander has also just received official notification from the Greek commander in chief that Greek forces ceased to be committed to NATO on August 14.

Those aspects of Greece's future relationship with NATO that are of most importance to the other allies are still undefined. Athens has made no decision about the future of US and NATO forces and facilities in Greece. Nor has Athens yet made known whether it will continue to participate in NATO's early-warning air defense network or what it will do about NATO's basic communications system, which presently passes through Greek territory.

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**TURKEY**

Prime Minister Ecevit reportedly will formally submit his resignation to President Koruturk today and seek approval from the national assembly for calling an election in December. Ecevit's moves were approved last night by the senate and assembly delegations of his Republican People's Party.

Ecevit's action ends a shaky coalition with the National Salvation Party, whose cabinet members last week precipitated the collapse of the government.

There is speculation in Ankara that President Koruturk will ask Ecevit to form a minority government to serve until the election. Ecevit discussed his plan with the President before presenting it to his party.

The Justice Party, the major opposition group in the assembly, is pledged to block Ecevit's formation of a minority government, and wants no election before mid-1975. Justice Party leader Demirel is concerned that Ecevit might win a majority this year because of the popularity of Turkey's intervention on Cyprus. Demirel believes that this popularity will be eroded in the next few months by the effects of inflation, particularly after the economic impact of the Cyprus operation is felt.

Ecevit may already have sufficient votes from other parties in the assembly to get approval for holding an election this year. Leaders of the Democratic and the Republican Reliance parties said yesterday that they were prepared for an early election. At the same time, both parties avoided any commitment to joining a new coalition. [REDACTED]

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EC

EC finance ministers met Monday to discuss EC borrowing to meet members' oil-related payments needs. The proposal was referred to the EC's Monetary Committee for further study. The question will probably be taken up again at the finance ministers' next meeting in October, when some action is possible.

At Bonn's insistence, the ministers decided to postpone a decision to launch a Community effort to attract oil exporters' funds for use by member countries in need of balance-of-payments financing. The French had proposed borrowing \$2.4 billion, to be jointly guaranteed by the EC. The EC Commission had recommended an even larger amount. Because Bonn has already indicated that it would support a small loan--perhaps \$1 billion--the ministers will probably be able to agree eventually on a limited borrowing plan, if responsibility for backing the loan can be worked out to the satisfaction of Germany and the other EC members.

The French also proposed that the European joint float be revamped in favor of a more flexible system which would permit greater fluctuation for each country's currency. Currency fluctuations of member currencies are maintained within 2.25 percent of each other. Five EC countries plus Norway and Sweden currently maintain the narrow joint float margins which France decided to drop last January. It is highly unlikely that the present float members would be willing to modify the joint float agreement sufficiently to accommodate France as well as the UK, Ireland, and Italy, which have also left the joint float band.

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USSR-UN

The Soviets have added one new item to their propaganda arsenal at the UN General Assembly this year--the banning of environmental warfare. They will also take an active role on Middle East and Cyprus issues, but on most other items they are showing little interest.

In a letter to Secretary General Waldheim, Moscow called for an international convention that would outlaw modification of the environment for military purposes. A statement on this subject was signed at the US-Soviet summit meeting last June.

Moscow's attention to Middle Eastern issues is likely to focus on the Palestinian question. The Soviets encouraged Palestinian leader Arafat to take this issue to the UN and are prepared to support the Arab nations there. They probably expect that UN support for the Palestinians will enhance the fedayeen's claim to be represented at the Geneva conference.

On Cyprus, the Soviets have indicated that they will support a Greek and Cypriot attempt to put the issue on the agenda. Although the Soviets do not want to get too far out of step with the Turks, they can hardly oppose General Assembly consideration of the question while they push their own proposal that an international conference be held under UN auspices to work out guarantees for Cypriot independence.

On other questions likely to come up at the UN meeting, the Soviets:

--Will support, but not press for, the seating of a Sihanouk government in place of the present Cambodian government at the UN.

--Will continue to support the North Korean position that the continued presence of UN troops in South Korea is an obstacle to reunification, but will be reluctant to push this issue now because it would bring them into conflict with the US.



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--Favor nuclear-free zones in general, but apparently have reservations about recent proposals, such as Pakistan's, along these lines.

--Remain opposed to any attempts to revise the UN charter or to increase the UN budget.

--Will seek to generate some enthusiasm for their "showcase" proposal of 1973--reduction of military budgets. [REDACTED]

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WEST GERMANY

Soviet Foreign Minister Gromyko's visit to Bonn on September 15-16 produced no breakthroughs on bilateral agreements under negotiation but, for the sake of Chancellor Schmidt's trip to Moscow in late October, both sides have publicly proclaimed that progress was maintained.

According to a West German official, neither side dwelt on the dispute this summer over the Federal Environmental Office in West Berlin. Schmidt gave assurances that no other offices would be established without careful consideration of political as well as legal factors. Gromyko reportedly replied that there would be no further problems over transit traffic on the autobahns to West Berlin.

Gromyko stood firm, however, on the issue of clauses in the proposed bilateral agreements on technology and legal assistance that would extend their provisions to West Berlin. The Soviets prefer proposals discussed with the Brandt government earlier this year; the present West German government finds them less than satisfactory. It was decided to continue discussion at a lower level.

The Soviet Foreign Minister pressed hard for the expansion of trade and economic cooperation, seeking government credits and subsidies for large-scale industrial projects. Schmidt has been under pressure to grant such aid from some advisers who argue that Bonn's trade surplus with the Soviets may decline this year as a result of the high cost of raw materials. The Chancellor, nevertheless, stuck to his position that the need to control inflation rules out such financial gestures at this time.

Discussion of joint projects for the delivery of electrical power and natural gas from the USSR will be taken up by the bilateral economic commission when it

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meets in Moscow in mid-October, but Bonn's parsimonious attitude virtually forces the Soviets to bargain over terms with individual German firms.

On international issues, Gromyko made a strong effort to get Bonn to support concluding the European security conference as early as possible. He hinted at flexibility on the question of the freer movement of peoples and ideas, provided that Bonn accept the Soviet concept of non-interference in internal affairs.

Schmidt would like to see the conference concluded by early next year, but does not want to abandon Bonn's hope of obtaining strong language in the final conference document that would acknowledge the right to alter borders by peaceful means. Foreign Minister Genscher asked the Soviets to support a new US formulation, but Gromyko restated Moscow's preference for softer language accepted at a conference session last spring.

Schmidt's discussion with Gromyko regarding the negotiations at Vienna on troop reductions produced no changes or flexibility in the Soviet stance.

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PALESTINIANS

Muhammad al-Farra, Arab League assistant secretary general for Palestinian affairs, says that at a minimum, the Arabs' aim in raising the Palestinian issue at the UN General Assembly is to win US support for a resolution affirming that the Palestinians have certain inalienable rights.

Farra told a US embassy officer in Cairo on Saturday that the Palestinians would be satisfied with a moderate resolution, if the US would go beyond its past acknowledgment of Palestinian "interests" to Palestinian "rights." He implied it is not necessary that these rights be spelled out.

If the US will not comply, Farra said, the Palestinians will seek a broader resolution that would include a declaration that the Palestine Liberation Organization is the "sole" representative of the Palestinian people. He believes that a resolution embodying maximum Palestinian demands would be backed by at least 70 member states.

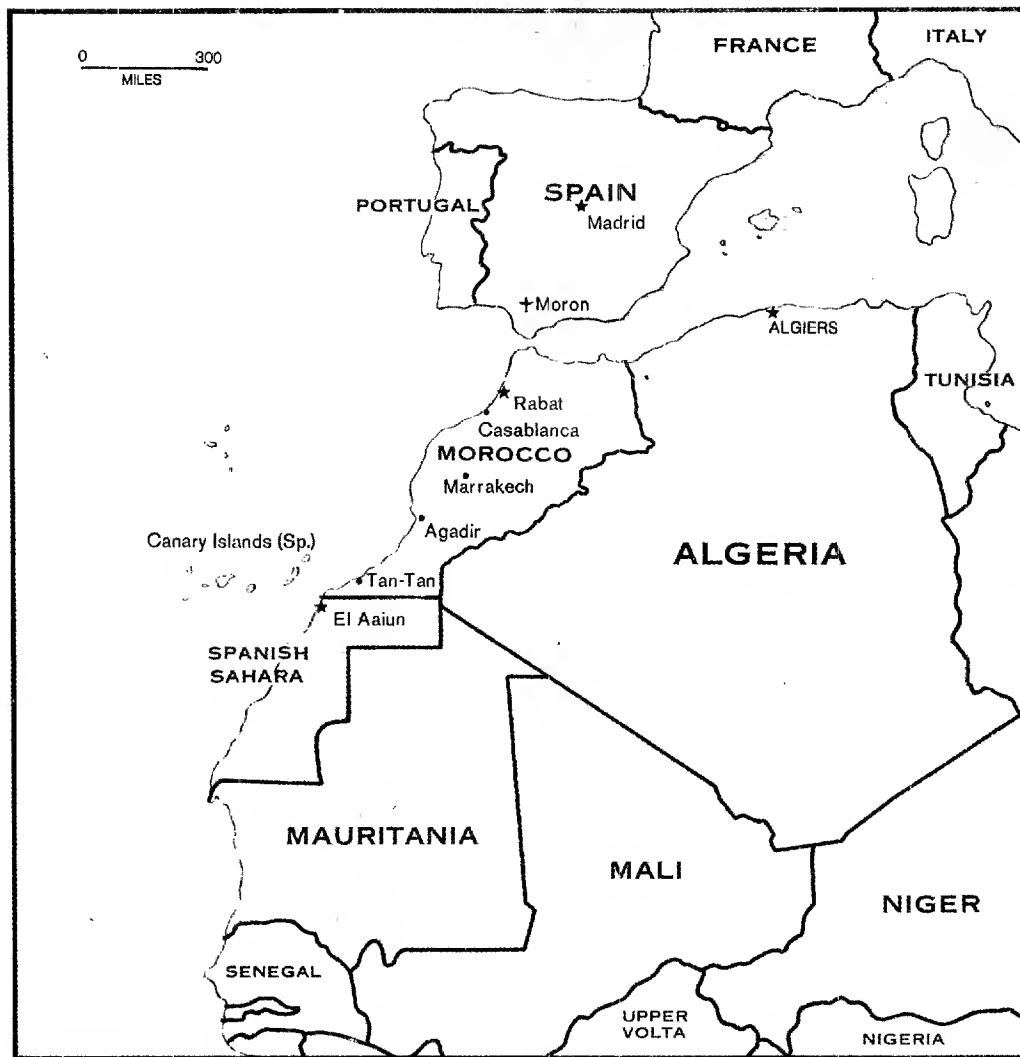
[redacted] the Arabs have not settled on a UN strategy, and probably will not until the Arab summit, now scheduled for late October. This suggests that Farra is exploring the possibility of a bargain: an Arab resolution designed to create as few problems as possible for the US in return for US support.

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The position of PLO chairman Yasir Arafat will be strengthened by UN debate on the Palestinian question, whatever the content of a final resolution. He hopes to keep international attention focused on the Palestinian problem in hopes of obtaining an invitation for the Palestinians to attend the Geneva peace talks.

Arafat will portray any change in the US position, however slight, as a major victory. He will use it to demonstrate the value of his relatively conciliatory approach as opposed to the obstructionist tactics of Palestinian radicals. [redacted]

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MOROCCO-SPAIN

King Hassan called yesterday for international adjudication of the dispute over the future of Spanish Sahara. This latest move in the King's campaign to take over the territory is aimed at circumventing the referendum on self-determination promised by Madrid.

According to a preliminary account of his press conference in Rabat, Hassan proposed that Spain and the UN refer the subject of "occupied Moroccan Sahara" to the International Court of Justice. Last month, Hassan implied he would accept arbitration of the dispute between Spain and Morocco. Hassan hopes this process will lead to a simple transfer of the territory to Morocco and thereby avoid the risk of holding a referendum that could go against Moroccan interests. The timing of his proposal was clearly intended to curtail discussion of Spanish Sahara in the UN General Assembly, which has passed a number of resolutions since 1965 calling for a referendum on self-determination.

Spain, however, reaffirmed yesterday its intention to hold a UN-supervised referendum in Spanish Sahara next year. The Spanish ambassador to the UN indicated his government was already organizing the referendum.

Algeria and Mauritania, the other two parties to the dispute, are unlikely to support Hassan's proposal. Although Algiers has carefully avoided taking a public stand, it has privately indicated that it continues to support a referendum solution to the problem. As president of the General Assembly this fall, Algerian Foreign Minister Bouteflika will be in a position to give important support to a resolution that calls for a referendum in the Spanish territory.

Mauritania, for its part, recently indicated it would accept international arbitration, although it would undoubtedly insist that it be a party to any negotiations and that its own claims to the territory be considered.

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Indicators of Spain's growing military preoccupation with the situation in Spanish Sahara continue to be provided by US defense attaché sources in Rabat and Madrid. A Moroccan source reported that Spanish F-5s and F-4s are making regular reconnaissance flights along the Morocco - Spanish Sahara border. The US defense attaché in Madrid has confirmed that 18 F-5s--plus additional crews--departed from their base at Moron to the Canary Islands during mid-August, but he can not verify the report that F-4s are located in the region. A Spanish source told the attaché that F-5s also are now staging out of El Aaiun.

Madrid recently canceled a joint US navy and Spanish air force exercise, which was tentatively scheduled for early November. The reasons cited for the cancellation were the unavailability of F-5s due to "precautionary dispersal" and "the African situation."

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The US defense attaché also notes that three army generals have visited Spanish-controlled territories adjacent to Morocco during the past month. The military reportedly is considering reinforcing or relocating ground forces in the Sahara in the face of Moroccan troop relocations. There is no evidence that Spain has decided to send significant reinforcements, although the attaché in Madrid thinks the Spanish may already have sent an additional company of airborne troops to the Canaries.

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MOZAMBIQUE

A large delegation from the Front for the Liberation of Mozambique has arrived in Lourenco Marques from the front's headquarters in Dar es Salaam to prepare for the swearing-in of Mozambique's transitional government. According to one press report, the new regime will be installed Friday.

The delegation, consisting of 72 front leaders, was headed by Joaquim Chissano, the front's defense minister and third-ranking official. Others in the group included the front's deputy information director, and Janet Mondlane, the widow of the front's founder. They are all expected to be named to positions in the transitional government.

Front President Samora Machel and Vice President dos Santos did not accompany the delegation. Their absence has spurred speculation among diplomatic observers in Dar es Salaam and Lourenco Marques that neither man will take a direct part in the transitional government, and that Chissano will be named prime minister. If Machel and dos Santos remain behind the scenes, they will still exercise strong influence during the important transitional period.

The arrival of the delegation was accompanied by tight security measures, set up both by Portuguese forces and troops of the front who arrived in Lourenco Marques last weekend. Authorities wished to avoid any repetition of the violence that spread through the city last week, following protests against the dominant position Lisbon conceded to the front in the transitional government.

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THAILAND

Thailand's pace toward establishing a constitutional government has again quickened after several delays. The appointed national legislative assembly finished its second reading of the draft constitution last weekend and will probably complete the pro-forma third reading at an early date. The constitution should be ready for promulgation before October 14, one year after the ouster of Thanom's military government. The speed-up reflects in part a desire to head off possible demonstrations in connection with commemorative ceremonies scheduled for the first anniversary of that event.

In a surprise move, the assembly increased the waiting time between promulgation of the constitution and elections to 120 days from the earlier anticipated 90 days. The prospect now is for elections to be held next February for Thailand's first popularly elected government since 1946.

The interim is likely to bring a burst of political activity, with new political parties solidifying around key prime ministerial aspirants. One such figure could be Assembly Speaker Khukrit Prarmot, who is considered close to the King.

Prime Minister Sanya is reluctant to serve again, but he might be prevailed upon to run should no candidate emerge with a clear mandate from the elected assembly. His more aggressive leadership of recent months has strengthened his image as a hedge against the return of military rule and has sparked some popular interest in his continuing in office.

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INDIA-PAKISTAN

India and Pakistan have successfully completed another round of talks designed to normalize relations between the two countries.

Following three days of negotiations in Islamabad, the two sides last weekend signed agreements restoring postal, travel, and telecommunications facilities suspended since the Indo-Pakistani war of 1971. According to an Indian official, the two countries also reached an unannounced agreement to reduce hostile propaganda against each other.

Both governments agreed to hold further talks to explore the possibility of establishing scientific, cultural, and trade links, and resuming air travel and over-flight rights. No dates were set for these discussions, nor was there any mention of restoring diplomatic relations, also broken in 1971. Pakistan is ready to resume diplomatic ties, but India first wants further progress on other issues.

The effort to ease problems through negotiations between the two countries began with a meeting two years ago between Prime Ministers Gandhi and Bhutto in Simla, India, and has resulted in several agreements. The latest agreements demonstrate that both countries are willing to continue negotiations, despite deeply ingrained mutual suspicions and differences on a variety of issues. Current sources of tension include:

- India's nuclear intentions;
- Pakistan's recent proposal at the UN for a South Asia nuclear-weapons-free zone;
- India's efforts to reach an agreement with Kashmiri leaders that would further solidify Kashmir's status as an Indian state;
- Pakistan's critical stance toward India's recent tightening of its control over Sikkim;
- Islamabad's long-standing suspicion that there is a Soviet-Indian-Afghan "conspiracy" against Pakistan.

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### CHINA

The Chinese are building a modern integrated circuit plant in Sian in central China, [REDACTED]

[REDACTED] The new plant will be the first integrated circuit manufacturing facility in China with a complete environmental and production control system. The Chinese plan to supply the plant with production equipment from Japan.

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The Chinese currently produce integrated circuits in laboratories and departments of institutes, factories, and universities but not in commercial quantities. The presence of clean room facilities--an important feature of modern semiconductor manufacturing facilities in the West--would enable the Sian plant to produce integrated circuits of a higher quality and more advanced design. This capability, while not up to the latest Western levels, would be a significant advance in China's current production techniques. The Sian plant could become the primary supplier of advanced integrated circuits in China, serving both civilian and military requirements.

The Chinese may have already acquired specialized production equipment from Japan to equip the plant. Automated testing equipment and fabrication devices have been imported since 1970. Equipment used in the materials processing stage of integrated circuit production was imported earlier from Japan and has since been copied by the Chinese.

Acquiring equipment for the plant on a piece-by-piece basis, however, would still leave the Chinese with some serious problems. The use of a mixture of domestic and imported equipment will cause difficulties. In addition, integrated circuit production technology is extremely complex and the Chinese will encounter some major obstacles in this area if outside assistance is not obtained. [REDACTED]

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Egypt's Objectives in the Persian Gulf Area

Cairo has set in train a long-range strategy for increasing its influence in the Arabian Peninsula - Persian Gulf area.

President Sadat is coordinating his new diplomatic moves with Saudi Arabia and, in most instances, seems to have at least the promise of active Saudi cooperation. Specifically, Sadat has begun to:

- Improve a long-hostile relationship with Iraq, on the understanding that seemingly irreconcilable political differences over Sadat's pursuit of a negotiated settlement with Israel can be submerged in the interest of economic cooperation.

- Establish an inter-Arab military force to supplant or at least augment Iranian forces engaged in Oman's guerrilla war against South Yemeni - supported insurgents without sacrificing Egypt's good relationship with Tehran.

- Improve relations with South Yemen, with a view to diminishing Soviet influence there and establishing an Egyptian economic and military presence. The military presence would be intended to maintain Egyptian control over the southern approaches to the Suez Canal.

Sadat's motivation for embarking on this project at this time appears to be a dual one. For the near term, he is interested in limiting Arab opposition to his efforts to achieve an Arab-Israeli peace settlement; this is particularly true with regard to Iraq. More importantly, his strategy arises from a longer range concern that Arab cohesion and Egyptian political strength could be dissipated once a settlement is achieved. Rather than a diversion from peace settlement efforts, the strategy for southern Arabia is a supplemental effort to take out insurance for the post-settlement period.

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Peace with Israel would remove a major unifying force among the Arabs and thus one of the few guarantees that Egypt could either retain its political dominance in the Arab world or command substantial financial aid from its neighbors. Sadat has some reason to fear that the Arab center of gravity might shift from Egypt to the oil states of the Arabian Peninsula and that, without a common enemy, few Arabs would look to Cairo as a political leader and fewer still as a bulwark deserving economic sustenance.

By seeking an expanded Egyptian role in Arabian Peninsula affairs and an enhanced degree of cooperation with oil-wealthy states, Sadat may thus be attempting to assure Egypt's continued importance in the Arab world. Saudi involvement in the venture is an integral part of Sadat's attempt to guarantee that Egypt can share a position of political preeminence with the Arab's financial giants.

At the same time, a future peace with Israel would not be likely to alter what Sadat--and King Faysal to an even greater extent--believe is the spread of Soviet-inspired radical influences in the Arabian Peninsula. In this area Egypt believes it can benefit both itself and Saudi Arabia by providing not only a moderating influence, but in some cases a military force to contain radicalism. Both are services the Saudis are less able to provide.

Sadat is thus aiming for the political neutralization of Iraq and South Yemen, both exporters of subversion in the Persian Gulf. He hopes to accomplish this through a program of economic and technical cooperation. Its durability would be assured by the need of both countries for the technical expertise Egypt can provide and the financial backing Saudi Arabia might be persuaded to put forth.

At the same time, Egypt views the inter-Arab military force it is proposing for Oman as a signal to Iraq, and particularly to South Yemen, that Egypt means to

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back with tangible military moves its interest in a non-radical southern Arabia. Cairo's desire to introduce an Egyptian military contingent on Perim Island at the mouth of the Red Sea and possibly to lease the Yemeni-owned island has similar ends. More immediately, this move would also improve Egypt's ability to control the approaches to the Suez Canal.

In this context, Sadat's efforts to induce the eventual removal of the Iranian presence in Oman are meant as added insurance for the stability of any peace settlement that might be reached there. Traditional Arab-Persian antipathy virtually guarantees that a lingering Iranian presence on the Arab side of the Persian Gulf would itself be a spur to further subversive efforts by radical Arabs.

Sadat cannot be blind to the difficulties he will encounter in pursuit of this strategy. Its success, in fact, depends on a number of preconditions that Sadat himself cannot fully control.

The plan assumes, for instance, a resolution of the Arab-Israeli conflict that would permit the necessary diversion of Egyptian resources from what is now the main battlefield. It also assumes the willingness of other Arab states to look well beyond the immediate horizon--a concept foreign to the Arab psychology--and cooperate with Egypt in providing for long-term considerations.

Iranian and Omani acquiescence in Sadat's plans for Oman, as well as a degree of Soviet forbearance, are also essential but particularly undependable ingredients for the success of Sadat's strategy. Moscow will see Sadat's moves in Iraq and South Yemen as aimed primarily at undermining Soviet influence there rather than chiefly at benefiting Egypt.

Conscious of the debacle caused by Nasir's intervention in Yemen in the 1960s, Sadat intends not to convert or subvert other Arab states but to seek cooperation with them on a mutually beneficial basis. He does



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not expect, for instance, that either Iraq or South Yemen will perceptibly change its political color. Although his present aim is to wean them away from overriding Soviet influence, he may in the end come to consider that a significant diminution in Moscow's role is neither possible nor necessary to his strategy.

By the same token, his aims in Oman may ultimately require not a displacement of the Iranians, but an augmentation by an Arab force capable of imposing limits on any further Iranian ambitions.

Sadat is prepared to make adjustments to differences in political outlook, seeking instead--with both Arabs and Soviets--non-political areas in which cooperation could be fostered. The success of his strategy will thus depend in large measure on his ability to encourage Arab and Soviet understanding of this concept.

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**FOR THE RECORD**

Laos: US civilian contract pilot Emmet Kay, the only American prisoner the Pathet Lao have admitted holding, was released today after more than 16 months incarceration. Kay was flown from Communist headquarters in Sam Neua via British embassy aircraft to Vientiane where he was turned over to US authorities. Kay's release sets the stage for tomorrow's implementation of the first phase of prisoner exchanges called for by the 1973 Lao accords. The initial exchange will take place in Communist-controlled territory on the Plaine des Jarres in north Laos. According to coalition government spokesmen, the non-Communist side will hand over 7 Lao nationals and 173 North Vietnamese prisoners. For their part, the Pathet Lao will release 20 Lao nationals [redacted] (C)

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South Korea: South Korean President Pak has reshuffled his cabinet, replacing 9 of the 20 ministers. The national construction minister was among those replaced--he and a number of other officials have been implicated publicly in a jewel-smuggling scandal. President Pak, angered that the scandal has surfaced in the midst of the current dispute with Japan, apparently hopes that cabinet changes now will head off opposition plans to make corruption an issue in the next national assembly session. [redacted]

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Japan: The yen strengthened markedly yesterday on news of the \$1-billion loan in Arab oil dollars to the Bank of Japan. The currency closed at 296 to the dollar, compared with the range of 301 to 303 in recent weeks. The yen had fallen nearly 10 percent against the dollar between May and late August as a result of higher oil payments. The loan, plus the likelihood of a continuing improvement in the balance of payments, should stabilize the yen over the next few months. According to press reports, the loan would be redeposited in Japanese commercial banks for a five-year period to help pay for imports. An additional loan may be in the offing after November. [redacted]

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France: France yesterday launched its fourth nuclear-powered ballistic missile submarine--the Indomitable--at Cherbourg shipyard. It is expected to join the operational fleet in 1976,

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